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24 May 1993

Comment in MM Docket No. 92-266

I am dismayed about the procedure outlined by the FCC for determining the benchmark rate for an expanded basic tier of cable. As I understand it, the benchmark is based on the number of channels in the system and offers a distinction only between satellite and non-satellite channels. It does not distinguish further among the channels. Thus, there is no distinction between a channel like Home Shopping Network, which pays the cable company to distribute its signal, and a channel like WGN or WTBS, for which the cable company has to pay a significant sum per subscriber to the Copyright Royalty Tribunal. Frankly, the failure to make such distinctions is absurd. Among other things, it will give the cable companies an incentive to reduce the quality of the stations they carry. So if the FCC rules and procedures succeed in lowering the rates consumers pay, they will at the same time lower the quality of the service. This is the kind of regulation that gives regulation a bad name. If regulation is to be done, it should be done correctly. If the FCC can publish 500 pages on rules and procedures for regulating basic cable rates, then it can also take the time and consideration to include consideration of the cost (or revenue) of channels on a cable system. Anything short of this is inexcusable.

Andrew Zimbalist
Robert A. Woods Professor of Economics
Chair, Northampton Cable Advisory Commission

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